Internal Revenue Service

District Director P.O. Box 1680 Brooklyn, NY

11202

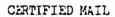
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Date: JUL 26 1982

Person to Contact:

Contact Telephone Number:

Refer Reply to:



Gentlezen:

We have considered your application for recognition of exemption under section 501(c)(7) of the Internal Revenue Code.

The evidence presented disclosed that you were incorporated on under the laws of the State of to create a center of orientation for mutual assistance, enjoyment, entertainment and improvement of its members and their families, to promote the friendship of its members, to hold meetings and social gatherings for the better realization of the above named purposes.

The activities of the organization consist of maintaining the facilities, (including the rental units) meetings, lectures, dence and other social events.

Section 501(c)(7) of the Internal Revenue Codes provides for the exemption of "Clubs organized for pleasure, recreation, and other nonprofitable purposes, substantially all of the activities of which are for such purposes and no part of the net earnings of which incres to the benefit of any private shareholder."

Section 1.501(c)(7)-1(a) of the Income Tex Regulations states that exemption extends to social and recreational clubs which are supported solely by membership fees, dues and assessment.

Section 1.501(c)(7)-(1)(b) of the Income Tax Regulations states that "a club which engages in business, such as making its social and recreational facilities available to the general public or by selling real estate, timber or other products, is not organized and operated exclusively for pleasure, recreation and other nonprofitable purposes, and is not exempt under 501(a)."

Revenue Ruling 58-589 states that activities by a social club such as the solicitation by advertisements or otherwise of public patronage of its facilities may be adverse to the establishment of exempt status. In addition it states that a social club should not engage in any type of business activity for profit which result in inurement to any individual.

Revenue Ruling 69-220 describes social club which received a substantial portion of its income from the rental of property and which used such income to defray operating expenses and improve and expand its facilities. It was held that the organization was not exempt under section 501(c)(7) of the Code.

Public Law 94-568 states that social clubs exempt under section 501(c)(7) of the code are permitted to receive up to 35 percent of their gross receipts, including investment income, from sources outside their membership without losing their tex-exempt status.

The evidence presented with your application indicates that

Inc. has allowed non-members to utilize their facilities, by renting the unsold bungalows to the public. Revenue Ruling 58-589 specifically precludes non-members from patronizing the facilities of a social club. The rental income has and will generate substantial non-member income from the general public which inures to the benefit of your club members. The inurement is evidenced by the fact that non-member rental income received, is used to defray the organization's operating expenses. This is contrary to the provision of Revenue Ruling 69-220. In addition the non-member income you received exceeds the 35% limit which is prescribed in Public Law 94-568.

Further your organization appears to be in the business of selling houses which is a business activity. Therefore your organization is not exclusively social within the meaning of section 501(c)(7) of the Code.

On the basis of the evidence presented we hold that

not organized and operated exclusively for pleasure recreation and other non-profitable purposes. Consequently it has been determined that your organization does not qualify for exemption under section 501(c)(7) of the Code. In addition we have determined that you would not qualify for exemption under any other section of the Internal Revenue Code.

Tou are required to file a taxable return Form 1120 or 1041 with the District Director of Internal Revenue Service. Please send the return to the Internal Revenue Service, P.O. Box 1680, General Post Office, Brooklyn, NY 11202.

If you do not agree with the determination, you may request a Conference with the Regional Director of Appeals by protesting in accordance with the enclosed instructions within 30 days.

Protests submitted which do not contain all the documentation stated in the instructions will be returned for completions.

Very truly yours,

7s/

District Director

Enclosure: Publication 892